

The 19th Economic International Conference
Challenges and Opportunities for a Sustainable Development
Stefan cel Mare University of Suceava, 2023

External public audit, an important pillar in the good financial management of public budgets as well as in combating fraud in the public sector

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public budgets as well as in combating fraud in the public sector*



The external public audit

exercised through the structures within the Supreme Audit Institutions,
plays one of the most important roles in ensuring the efficient
management of public funds

contributes to the identification, combating and prevention of financial
fraud





Objective of this paper

To highlight the existence of direct proportionality between the quality of public audits, with the value of identified deviations, since the quality of external audits is directly proportional to the reduction of identified deviations, following the increasing compliance of public entities with the applicable legal framework, a fact which, over time, will lead to better management of funds, as well as, above all, to the fight against financial fraud.

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The research methodology was qualitative analysis, namely the analysis and interpretation of some data contained in the Annual Public Reports on local public finances drawn up following the audits carried out by the Court of Accounts of Romania



The most important indicators were selected to highlight the role of the public audit in combating and preventing fraud, for the 2019-2021 budget years, with the UAT and cities with municipal status in each county as selection criteria.

Table no. 1 presents the total value obtained by summing up the individual values resulting from the audits carried out for each territorial administrative unit of the county of additional income, and damages as well as notifications addressed to the criminal investigation bodies for each County Council.

thousands of lei

The year 2019			The year 2020			The year 2021		
Additional income	Tort	Referral to criminal investigation bodies	Additional income	Tort	Referral to criminal investigation bodies	Additional income	Tort	Referral to criminal investigation bodies
7.208,52	6.194,06	2.070,98	3.861	24.404,01	0	23.288	20.477	100,63

Table no. 1. Analysis of deviations found at the County Councils in the period 2019-2021

Analyzing the number of deviations found as a result of public audits carried out at the territorial administrative units of the counties, it can be noted that their level varies from one period to another, but it is noted that in 2020 no deviations were identified at the level of the county councils that would require reporting to the criminal investigation bodies, and for the 2021 budget year, the value of the violation for which the criminal investigation bodies were reported was 100.63 thousand lei, compared to 6,194.06 thousand lei in the 2019 budget year

Evolution of external public audit missions results for the period 2019-2021 at the county councils

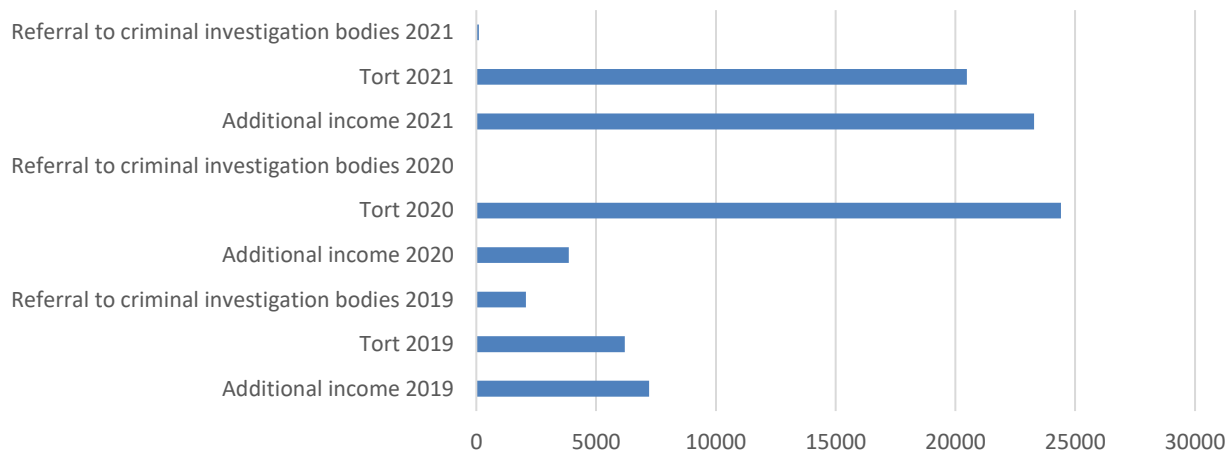


Fig. No. 1. *Evolution of external public audit results for the period 2019-2021 at County Councils*

Table no. 2 shows the total value obtained by summing up the individual values for each city with the rank of the municipality in each county, additional income, damages and notifications to criminal investigation bodies.

thousands of lei

The year 2019			The year 2020			The year 2021		
Additional income	Tort	Referral to criminal investigation bodies	Additional income	Tort	Referral to criminal investigation bodies	Additional income	Tort	Referral to criminal investigation bodies
23.819	26.784,80	1.412,83	44.391,32	98.530,08	22.454,79	71.188	51.179	111,88

Table no. 2. Analysis of deviations found in cities with the rank of municipalities in the period 2019-2021

Analyzing the number of violations found following the external public audits carried out, it can be noted that their level varies from one period to another, but we can also note that, although in 2020 at the level of municipalities in Romania, the criminal investigation bodies were notified for violations with a value of 22,454.79 thousand lei, and the 2019 budget year for deviations with a value of 1,412.83 thousand lei, the value of deviations of this nature was greatly reduced for the 2021 budget year when it registered a significant decrease, reaching the value of 111.88 thousand lei, from which it can be concluded that the external public audit had an important role in reeducând fraud.

Evolution of the results of the external public audit missions for the period 2019-2021 in cities with the rank of municipality

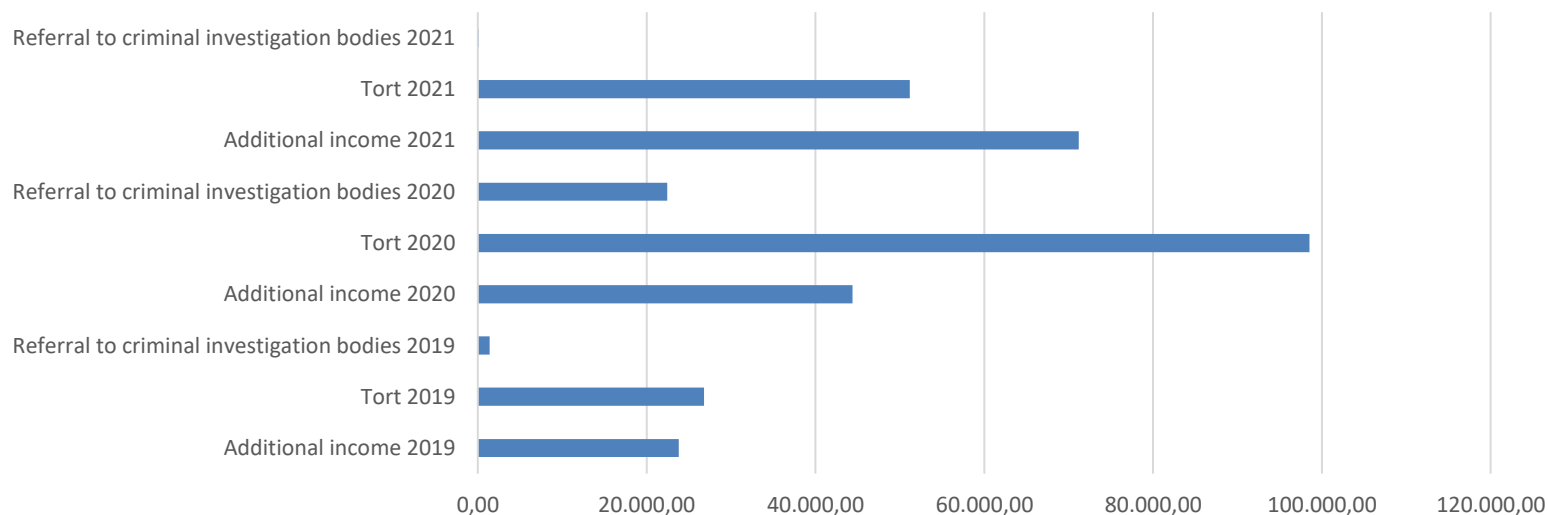


Fig. No. 2. *Evolution of the results of the external public audit missions for the period 2019-2021 in cities with the rank of the municipality.*

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Following this analysis, it can be concluded that one of the main roles of the external public audit is to combat and prevent fraud, following the identification of deviations that contribute to the occurrence of fraud, as well as following the exploitation of the results of the audits carried out, both through the recommendations formulated and by providing management public budgets to the interested parties, and, why not, by notifying the criminal investigation bodies where it is found that the violations are the result of fraud.

The limits of the study consist in the rather limited period for which it was carried out, i.e. 3 budget exercises, and it follows that in the future the analyzed period will be extended

